

# 2018 Business Formations in Missouri



## Top Ten Industries

Below is a list of the top 10 industries for new business formations in Missouri\*:

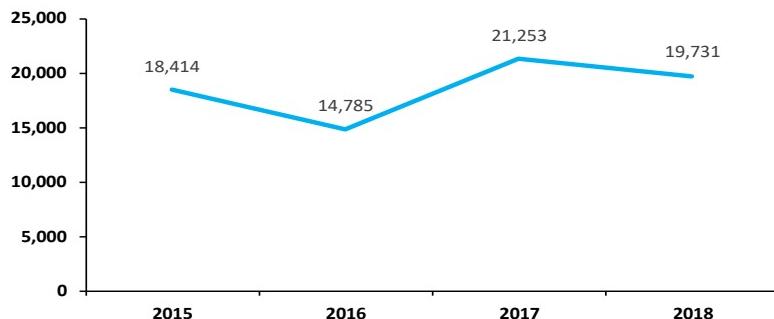
1. Professional, Science, and Technical Services
2. Retail Trade
3. Other Services\*\*
4. Accommodation & Food Services
5. Construction
6. Health Care & Social Assistance
7. Finance & Insurance
8. Administration & Support Services
9. Real Estate & Rental Leasing
10. Transportation & Warehousing

\* Excluding Services for the Elderly and Disabled which consists primarily of health care contractors, see page 5 for more details.

\*\*Other Services consists of firms engaged in equipment repair, social and advocacy organizations, and providing personal care and cleaning services, among others.

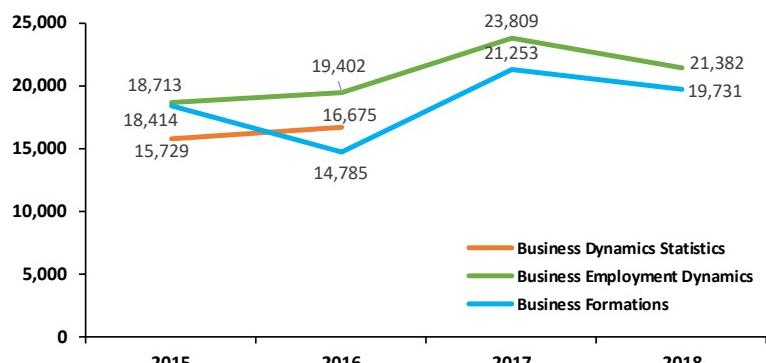
New businesses bring industry diversity and job growth to a state and serve as major engines for economic growth. Research has shown a positive relationship between levels of entrepreneurial activity and economic growth. There were 19,731 new business formations in Missouri in 2018, about 1,520 fewer than in 2017.

**Business Formation Trends  
2015-2018**



This trend tracks fairly consistently with data released by the Bureau of Labor Statistics' (BLS) Business Employment Dynamics (BED) program and the Census Bureau's Business Dynamics Statistics (BDS) program. However, these programs differ in methodology and data availability.

**Business Formation Trend Comparison  
2015-2018**



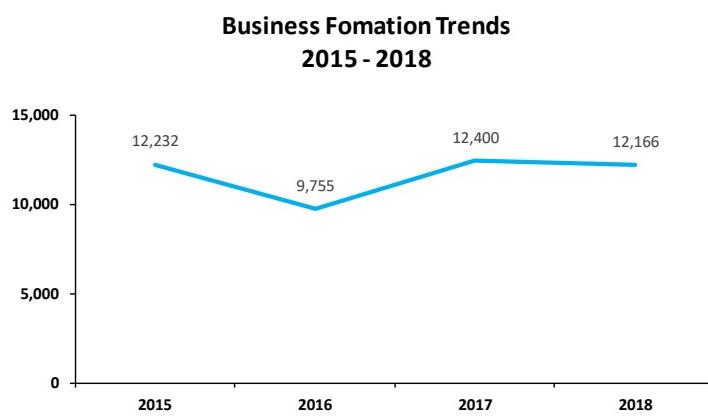
*There are no BDS estimates for 2017 and 2018.*

Due to a 2016 update in Missouri's Unemployment Insurance (UI) System, some business formation records were unable to be counted. Consequently, the 2016 figure is relatively lower than the other reporting agencies.

## The Effect of Health Care Contractors

Of the 19,731 new business formations in Missouri during 2018, nearly 7,500 of those were in a single industry within the *Health Care & Social Assistance* sector. This industry, known as *Services for the Elderly and Disabled* (NAICS 624120), consists primarily of health care contractors and single employee care takers for the elderly and disabled.

Around 90 percent of the new formations in this industry reported having no more than one employee. Also, the majority of new formations that contracted through a Professional Employer Organization (PEO) were in this industry and therefore related to an existing firm.



*This trend excludes NAICS 624120.*

Removing establishments in this industry, the trend begins to flatten out. Except for 2016, when there was a change to the Unemployment Insurance system, there were around 12,250 new business establishments in each year from 2015-2018.

There were 12,166 new business formations in 2018 when excluding the *Services for the Elderly and Disabled* industry.

Due to the *Services for the Elderly and Disabled* industry having a unique impact on new business formation figures, the remainder of this brief excludes this one industry. Please see page 5 for additional analysis of this industry.

## Year-over-Year Industry Growth

It is not surprising that the state's largest industries experienced a year-over-year percent decline in business formations given that overall figures decreased slightly in 2018 from a year prior.

*Retail Trade*, the second largest industry in overall formations, showed a sizable decrease in new business development of just over 9 percent.

*Finance and Insurance*, the seventh largest industry for formations, grew by nearly 12 percent in one year.

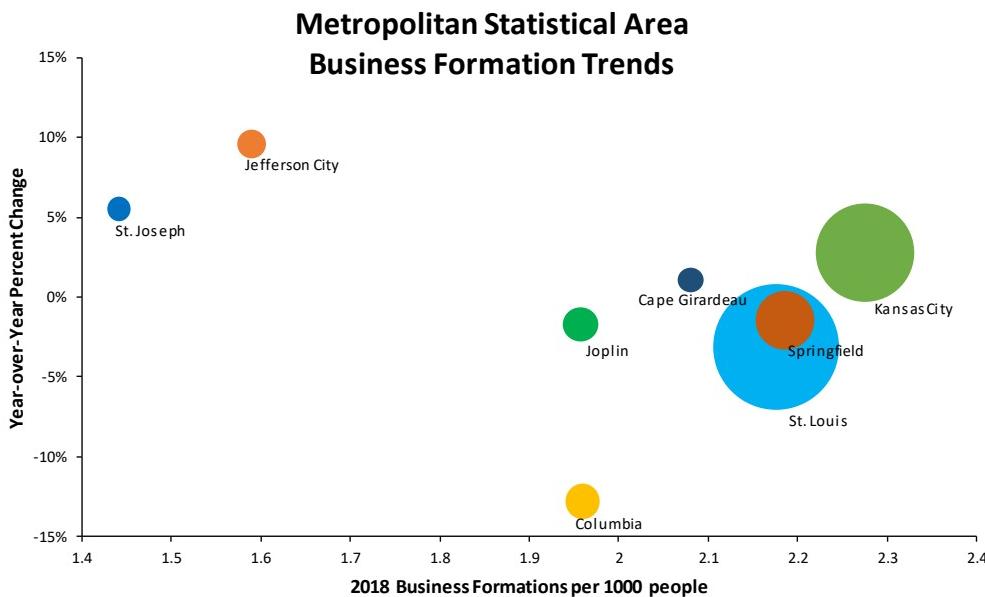
*Transportation and Warehousing*, the tenth largest industry, grew just over 13 percent in one year.

*Professional, Scientific, and Technical Services*, the largest industry for new formations, had a moderate decline of over 4 percent in one year.

Top Ten Industries	2017	2018	Percent Change
Professional, Scientific, & Technical	1,819	1,734	-4.7%
Retail Trade	1,419	1,285	-9.4%
Other Services	1,255	1,214	-3.3%
Accommodation & Food Services	1,238	1,213	-2.0%
Construction	1,216	1,204	-1.0%
Health Care & Social Assistance	1,165	1,046	-10.2%
Finance & Insurance	727	812	11.7%
Administrative & Support Services	742	769	3.6%
Real Estate, Renting, & Leasing	571	588	3.0%
Transportation & Warehousing	472	534	13.1%

## NEW BUSINESS FORMATIONS BY METRO AREA

The eight Metropolitan Statistical Areas (MSA's) in Missouri are show below along with year-over-year (2017-2018) percent change in business formations, density of business formations, and number of business formations.



The Jefferson City MSA had the greatest year-over-year business formations growth, with a 9.6 percent increase from 2017. The Columbia MSA had the largest percent decline in business formations at -12.8 percent, but had over 30 percent increase the previous year from 2016 to 2017. The St. Louis and Kansas City areas had the most business formations in 2018. These two MSA's also ranked third and first, respectively, in business formation density. The Springfield area was second in business formation density with 2.2 formations per thousand people.

The table lists each of Missouri's eight Metropolitan Statistical Areas and the top industries in which new business formations occurred in 2018. In Missouri's four largest metropolitan areas —St. Louis, Kansas City, Springfield, and Columbia—the *Professional, Scientific, and Technical Services* industry had the highest number of new business formations.

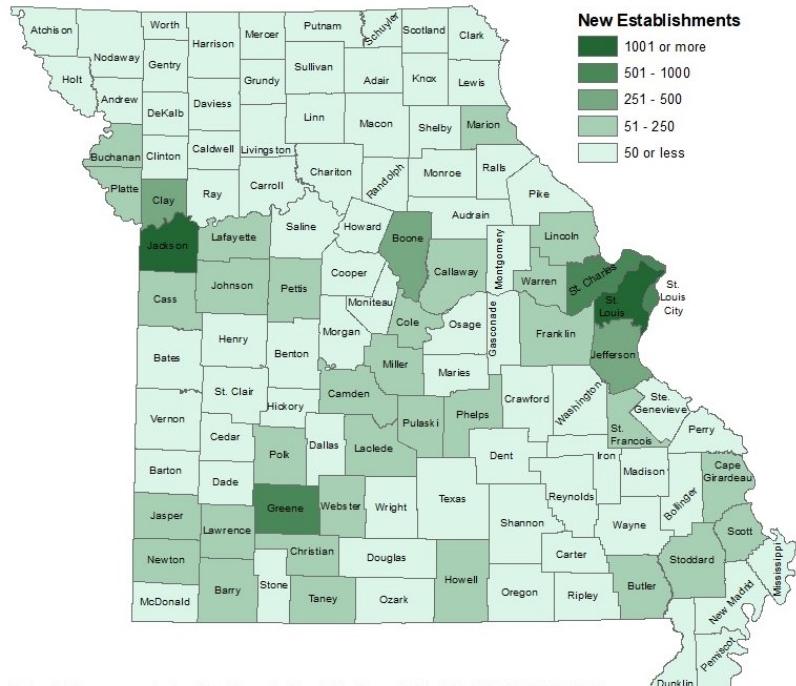
Top 5 Business Formation Industries by Metropolitan Statistical Area	
<b>St. Louis</b>	<b>Kansas City</b>
1) Professional, Scientific, and Technical	1) Professional, Scientific, and Technical
2) Other Services	2) Accommodation and Food Services
3) Health Care and Social Assistance	3) Construction
4) Retail Trade	4) Retail Trade
5) Accommodation and Food Services	5) Other Services
<b>Springfield</b>	<b>Columbia</b>
1) Professional, Scientific, and Technical	1) Professional, Scientific, and Technical
2) Retail Trade	2) Construction
3) Construction	3) Health Care and Social Assistance
4) Accommodation and Food Services	4) Other Services
5) Other Services	5) Retail Trade
<b>Joplin</b>	<b>Jefferson City</b>
1) Accommodation and Food Services	1) Accommodation and Food Services
2) Retail Trade	2) Construction
3) Pro, Sci, and Technical Services	3) Professional, Scientific, and Technical
4) Other Services	4) Retail Trade
5) Construction	5) Other Services
<b>Cape Girardeau</b>	<b>St. Joseph</b>
1) Health Care and Social Assistance	1) Retail Trade
2) Construction	2) Construction
3) Professional, Scientific, and Technical	3) Professional, Scientific, and Technical
4) Finance and Insurance	4) Health Care and Social Assistance
5) Retail Trade	5) Other Services

## New Business Formations By County

The map to the right shows the number of business formations in each Missouri county. Unsurprisingly, the largest number of business formations appear in counties located in metro areas, such as St. Louis and Kansas City.

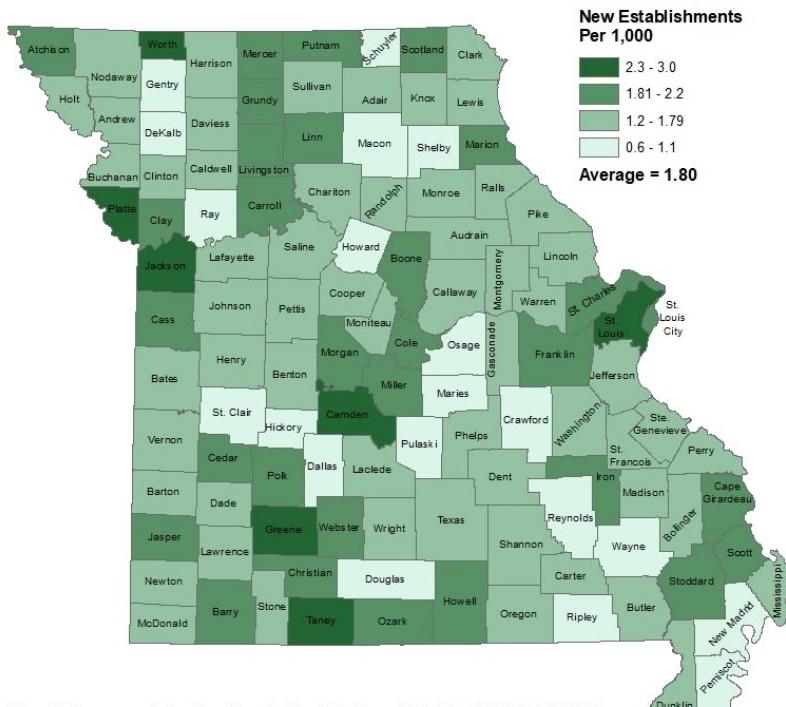
St. Louis County had the most new business formations with 2,589 and Jackson County had the second most with 1,743 new formations.

**New Business Formations  
New Establishments by County**



Note: This map excludes Services for the Elderly and Disabled (NAICS 624120)

**New Businesses per 1,000 Resident Population**



Note: This map excludes Services for the Elderly and Disabled (NAICS 624120)

The map to the left shows the density of new business formations in Missouri counties.

The two counties with the greatest densities were Taney County and Camden County, respectively. These counties both have a large tourism industry. The other three counties in the top five were part of the metropolitan areas. St. Louis County was third, with 2.59 formations per one thousand people; Jackson County was fourth, with 2.53 per one thousand; and Platte County was fifth, with a density of 2.47.

# NOTES

This section covers additional analysis performed on the NAICS 624120, *Services for the Elderly and Disabled* industry, within the *Health Care and Social Assistance* sector. This industry would be a primary employer of home health and personal care aide jobs.

On the right is a comparison of the *Health Care & Social Assistance* sector to the sub-industry of *Services for the Elderly and Disabled*. When *Services for the Elderly and Disabled* are excluded, *Health Care & Social Assistance* becomes only the sixth largest industry, based on number of new formations.

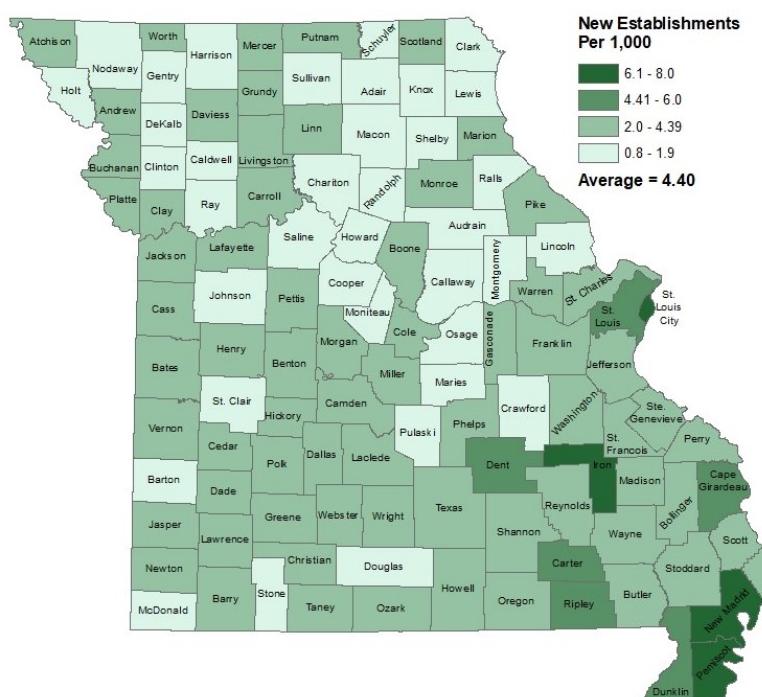
## Health Care & Social Assistance 2018 Business Formations

8,611  
Health Care  
and Social  
Assistance  
Formations

7,565  
Establishments for  
Services for the  
Elderly and Disabled  
(NAICS 624120)

According to the Bureau of Labor Statistics (BLS), the demand for home health and personal care aides will remain strong into the next decade. BLS reports that, nationally, there will be over a million new home health and personal care aide jobs within the next 10 years. Furthermore, BLS projects the *Health Care & Social Assistance* sector to have the greatest annual employment growth percentage. The demand for “health care services from an aging population and people with chronic conditions will drive much of the expected employment growth” in this industry sector. Since the majority of home health and personal care aides operate as contractors of existing firms, future reports will likely continue to exclude them as new business formations within records identifying the *Services for the Elderly and Disabled* industry.

The map to the left displays the density of business formations with *Services for the Elderly and Disabled* establishments included. Unlike the density map found on page 4, this map shows the greatest densities of formations in the Southeast Region of the state.



## About the Data

The Missouri Economic Research and Information Center (MERIC) monitors new payroll business formations through the Quarterly Census of Employment and Wages (QCEW) micro data. This is a cooperative program between the Bureau of Labor Statistics and MERIC.

The QCEW produces a comprehensive tabulation of establishment, employment and wage information for workers covered by state unemployment insurance laws and federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program. This data includes start-up date information which was used as the determining factor for new business formations.

## Sources

Decker, R., Haltiwanger, J., Jarmin, R., & Miranda, J. (2014). "The Role of Entrepreneurship in US Job Creation and Economic Dynamism". *Journal of Economic Perspectives*, 28(3), 3-24.

Missouri, Department of Higher Education and Workforce Development, MERIC. "Southeast Economic and Workforce Report." (2019).

United States, U.S. Department of Labor, Bureau of Labor Statistics. "Employment Projections—2018–2028." (September 4, 2019).

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